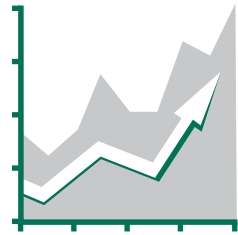


Financial Adviser

Retirement and Exit Planning in a Down Economy



The current economy is changing the plans of many business owners who were planning on selling their businesses and retiring in the next few years. For most of them, selling their business is how they fund their retirement. But with retirement savings and business values decreasing, business owners are understandably concerned with many putting off their exit plan and retirement. According to the American Institute of Certified Public Accountants (AICPA), 35 percent of financial planner clients are postponing retirement due to the recession.

So what's a business owner to do? There are several things business owners can do now to make sure they increase the value of their business, make it appealing for suitable, potential buyers and not have to prolong their exit plans.

Build Value

In the past, owners would look to build cash flow to attract potential investors and buyers. But steady and healthy cash flows are hard to come by these days. And in today's economy, historic cash flows are not necessarily reliable indicators of a business' future success. So business owners need to increase value in their company in additional ways.

Customer Base

These days, relying on too few customers is a big risk. A diversified customer base is important now more than ever. With many businesses shopping around for best prices, now is the time to try to win new customers.

Management Succession Planning

If a company relies mostly on its owners and the owners' relationships for success, the value of a company will tank when the owners leave. Creating a succession plan for management will give the company

depth in its leadership and make it more appealing to potential buyers. This succession plan will guarantee the company will thrive with solid leadership and a strategic direction.

Quality of Personnel

With the number of people currently downsized and looking for employment, now is the time to recruit strong, first-rate employees. Business owners have the opportunity to consider replacing marginal employees with stronger candidates. Having the right person in the right job is going to be very important to potential buyers.

For those exceptional employees who are key to the company's success, a recession is an excellent time for training, licensing or certifications to add value to the business. These employees also need to know they are important to the success of the business. Phantom stock plans, golden parachute plans or other deferred compensation plans will show key employees they are valued and provide incentive to stay. These plans will motivate them to help grow the business before, during and after a sale.

Fine-Tune Processes

A slowdown in production is an excellent time to review the company's processes and rebuild those that need improved. Scrutinize all areas including procurement, R&D, sales, operations, production and human resources. Organize cross-functional teams to look at all areas and brainstorm new ideas. Having refined and improved your processes for maximum efficiency will add value to the business for potential buyers.

Realistic Growth Strategy

A post-recession plan will be important to the success of your business and top of the checklist for buyers. These potential buyers will

want to know that the business is capable of growth and ready to grow when the economy improves.

Effective Cost Controls

With the downturn in the economy, most business owners have looked for ways to make their business leaner and more efficient. Strategic cost reductions now will pay off when a business owner is ready to sell. And when revenues increase to normal levels, more cash will fall to the bottom line if expenses are kept in check.

Exit planning is a process and not an event. Make sure to develop and revisit your exit plan according to what is happening in today's market place. There is much that can be accomplished now to guarantee that when the time is right, both you and your company are ready to move forward.

For information regarding exit planning and business valuation, contact Kevin Oviatt of McGill, Power, Bell & Associates at 814/724-5890 or koviatt@mpbcpa.com.

Kevin T. Oviatt, CPA, is a manager with the accounting and financial services firm McGill, Power, Bell & Associates, LLP. Oviatt, who has been with the firm for six years, focuses his practice in tax planning and accounting, business valuation and litigation support services. He has substantial experience in the manufacturing and construction industries. Oviatt is a member of the firm's Litigation Services Group. He is a graduate of Penn State – Behrend.

